

JUDGES'

RETIREMENT SYSTEM



NEBRASKA JUDGES' RETIREMENT SYSTEM

Nebraska Revised Statutes
§§24-701 through 24-714

The Nebraska Judges' Retirement Plan is a Defined Benefit Plan administered by the Public Employees' Retirement Board (PERB) for all Nebraska Judges, and those Clerk Magistrates who were formerly Associate County Judges hired before August 26, 1983.

Your Defined Benefit Plan, authorized by Internal Revenue Code **§401(a)**, provides a retirement benefit based on a **formula** as defined in the law:

$$\begin{array}{ccccccc} \text{Years of} & & \text{Final} & & \text{Formula} & & \text{Monthly} \\ \text{Creditable} & \text{X} & \text{Average} & \text{X} & \text{Factor} & = & \text{Benefit} \\ \text{Service} & & \text{Compensation} & & \text{(currently 3.5\%)} & & \end{array}$$

This booklet provides an *overview* of the benefits available to members of the Judges' Retirement Plan and is not intended to be a substitute for retirement education. The provisions of the Judges Retirement Act in all cases supercede the information provided in this booklet. All retirement benefits will be determined by the laws in effect when employment is terminated. If you have questions, write to:

Nebraska Public Employees Retirement Systems
P.O. Box 94816
Lincoln, Nebraska 68509
Fax: 402-471-9493

or call **402-471-205** or toll-free **800-245-5712**. You may schedule an appointment to visit NPERS at **1221 N Street, Suite 325**, in Lincoln. For Plan information, visit the web site at **www.npers.ne.gov**.

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MEMBERSHIP

If you are a Supreme, District, Juvenile, Worker's Compensation, County Court or Court of Appeals Judge, you are required to be a member of the Judges' Retirement Plan (the Plan) beginning with your first day of service as a judge.

Clerk Magistrates (formerly Associate County Judges) are included in the Plan if appointed between January 4, 1973 and August 26, 1983. (If you are a Clerk Magistrate hired after August 1983, you are a member of the State Employees' Retirement Plan.)

You will be issued a retirement account number when your first retirement contribution is posted to your account with the Nebraska Public Employees' Retirement Systems (NPERS).

CONTRIBUTIONS

As a member of the Judges' Plan, you contribute a percentage of your gross salary, as set by law:

- ◆ Members with **less than 20** years of service contribute **8%** of compensation; *
- ◆ Members with **20 or more** years of service contribute **4%** of compensation. (Effective 7-1-03.) *

Fees, as prescribed by law, are remitted by district and county courts to assist in the funding of retirement benefits.

The State of Nebraska may be required to contribute an amount each year through an appropriation by the Legislature from the state's general fund, to fund any unfunded liabilities of the system. NPERS' consulting actuaries recommend the amount of the contribution when it is needed.

- * This change in rates was made by the Legislature in LB320. However, the change is being contested in court.

INTEREST

Regular interest is posted to your account monthly, and the rate will change on an annual basis.

Regular interest means interest fixed at a rate equal to the daily treasury yield curve for one-year treasury securities, as published by the Secretary of the Treasury of the United States, that applies on July 1 of each year, which may be credited monthly, quarterly, semiannually, or annually as the Public Employees Retirement Board (PERB) may direct [§24-701]. Contact NPERS for the current interest rate.

The Nebraska Investment Council invests all assets of the Judges' Plan to provide the money necessary to pay for your statutory retirement benefit. The Investment Council invests in a variety of investment vehicles, including bonds and fixed investments and both foreign and domestic equities. The earnings on the Plan assets help provide funds both for your future benefit and for the interest credited each month to your account. However, the interest credited to your account is determined by law and *not* by the earnings from the Plan investments.

BENEFICIARY DESIGNATION

Before Retirement

Your beneficiary is the person or persons you designate to receive your benefits when you die. At the time you join the Plan, you will be provided a Beneficiary Designation Form to complete.

Keeping your beneficiary designation up to date with NPERS will ensure benefits are paid promptly and properly. You should review your choice of beneficiaries if:

- ◆ You or a beneficiary marries or becomes divorced
- ◆ A beneficiary dies
- ◆ You have a child

- ◆ You return to employment after having received a refund of your account; or
- ◆ You return to employment after retiring. (See "Reemployment.")

You may request a Beneficiary Designation Form from NPERS or your employer. When NPERS receives your properly completed form, it will cancel any previous beneficiary designation. If a beneficiary has not been named, or your beneficiary has predeceased you and a new form is not received by NPERS prior to your death, your benefits will be paid to your estate.

BENEFIT STATEMENT

Each fall, NPERS will mail a Benefit Statement. This statement will provide information on your benefit calculation, your total reported years of service, as well as your member contributions and the accumulated interest.

Statements are sent to your home address. To ensure you receive your annual Benefit Statement, always inform your employer of any address changes.

All Judge's Plan assets are held by NPERS in trust. Money held by the Plan is immune from execution, garnishment, attachment, the operation of bankruptcy or insolvency laws or any other process of law. The assets cannot be paid out because of any legal actions (except through a qualified domestic relations order in a divorce case). In addition, you cannot use your Plan assets as loan collateral since they are not assignable. Plan assets can only be paid to another entity in two situations:

- ◆ Through a qualified domestic relations order under the Spousal Pension Rights Act
- ◆ Through an IRS tax lien

ADDRESS CHANGES

It is important you keep your address current through your employer. Your employer will inform NPERS of any address changes you report to them.

If you terminate employment and leave your money in the Plan, you should report any address changes directly to NPERS to ensure you receive your Benefit Statement and other items mailed to you.

ACCRUAL AND PAYMENT OF YOUR BENEFIT

Each year you work as a judge, you earn additional service in the Judge's Plan. The statutory benefit you earn is calculated by a formula that multiplies your total years of creditable service, by the average of your three highest 12-month periods of salary, by the formula factor set by law (currently 3.5%). The maximum benefit is 70% of final average compensation, which is reached upon attaining 20 years of service as a judge.

This section of the book gives you details on the components in the formula, the retirement process, and other aspects of the plan.

SAMPLE BENEFIT CALCULATION

If you retire at age 65 with 20 years of service as a judge, and your three highest 12-month periods of salary are \$60,000 each, your monthly retirement benefit will be calculated as follows (under Retirement Payment Option 1):

$$\begin{array}{rcl} \$60,000 & & \\ 60,000 & \$180,000.00 \div 36 \text{ months} = & \$5,000.00 \text{ final average} \\ 60,000 & & \text{compensation} \\ \$180,000 & & \end{array}$$

$$\$5,000 \times 20 \text{ years} \times 3.5\% = \$3,500.00$$

MAXIMUM BENEFIT LIMITATION:

$$\$5,000 \times 70\% = \$3,500.00$$

SERVICE CREDIT

Creditable service means the total number of years served as a judge, including prior service, military service, and current service, computed to the nearest month. Current service only includes service for which you have made contributions to retirement. Creditable service does not include current service for which member contributions are not made or are withdrawn and not repaid.

Credit is not earned if you take leave without pay, are placed on suspension, or serve in a temporary capacity.

The maximum retirement benefit is 70% of your final average compensation. Therefore, the maximum service credit allowed is 20 years. (20 x 3.5% formula factor = 70%)

Military Service

Credit is allowed for service in the armed forces if you served during a war or national emergency, including having been drafted under a federal mandatory draft law during time of peace, and you were a judge prior to entering the military.

- ◆ You and your employer should officially notify NPERS of the beginning and ending of the period of military service.
- ◆ You will receive service credit for the period of military service reported to NPERS, once the period of service has been established.
- ◆ Contact NPERS once you have returned to your regular position for details on the necessary steps for establishing your period of military service.
- ◆ To avoid possible complications, NPERS recommends you establish your period of military service as soon after returning as you are able.

Prior Service

Credit is allowed for service prior to the date the various courts became a part of the system.

Historical Note: District and Supreme Courts - January 3, 1957; Nebraska Workmen's Compensation Court - September 20, 1957; County Courts - January 5, 1961; and separate Juvenile Court or Municipal Court - October 23, 1967. [§24-701(3)].

COMPENSATION

At retirement, your three highest 12-month periods of salary reported are used to determine your "final average compensation" when calculating your benefit.

Compensation means the statutory salary of a judge or the salary being received by such judge pursuant to law.

Compensation **includes** overtime pay, member retirement contributions, and amounts contributed by the member to plans under §§125 and 457 of the Internal Revenue Code. [Neb. Rev. Stat. §24-701].

Compensation **does not include** compensation for unused sick leave or unused vacation leave converted to cash payments, insurance premiums converted into cash payments, reimbursement for expenses incurred, fringe benefits, or bonuses for services not actually rendered, including, but not limited to, early retirement inducements, cash awards, and severance pay, except for retroactive salary payments paid pursuant to court order, arbitration, or litigation and grievance settlements.

Includes:

- ◆ Overtime pay
- ◆ Member retirement contributions
- ◆ Wages ordered paid in legal proceedings
- ◆ Plans which defer income:
 - §125 Cafeteria Plans
 - §403(b) – TSAs
 - §457

Does Not Include:

- ◆ Insurance premiums converted to cash
- ◆ Expense reimbursements
- ◆ Fringe benefits
- ◆ Bonuses (services not rendered)
 - early retirement inducements
 - cash awards
 - severance pay

Final average compensation means the average monthly compensation for the three 12-month periods of service as a judge in which compensation was the greatest or, in the event of a judge serving less than three 12-month periods, the average monthly compensation for such judge's period of service. [§24-701].

LEAVING SERVICE BEFORE RETIREMENT

If you cease employment as a judge before you reach age 65, you have the following options:

Deferral

You may leave your account on an inactive basis, continue to earn interest, and apply for monthly retirement benefits as early as age 55 (on an actuarially reduced basis).

Deferral of benefits may be extended until no later than April 1 of the year following the year you reach age 70½. (There is no actuarial reduction if you apply for benefits at age 65 or later.)

Withdrawal

You may request a withdrawal of your accumulated account (your contributions plus interest) if you have not reached age 65 at the time of your separation from service.

To apply for a refund, you must request an Application for Separation Refund from NPERS, *in writing*.

NOTE: Taking a refund cancels all service credit.

You are eligible to receive a refund approximately 60 days after either your last working day OR receipt of your completed application by NPERS, whichever is later.

RETIREMENT ELIGIBILITY

Normal Retirement

At age 65, you are eligible to receive retirement benefits **for your lifetime** using the following formula:

$$\begin{array}{ccccccc} \text{Years of} & & \text{Final} & & \text{Formula} & & \text{Monthly} \\ \text{Creditable} & \text{X} & \text{Average} & \text{X} & \text{Factor} & = & \text{Benefit} \\ \text{Service} & & \text{Compensation} & & \text{(currently 3.5\%)} & & \end{array}$$

Early Retirement

At age 55 to 65, an early retirement benefit is calculated using the “normal” formula and reduced using an actuarial factor based on age (rounded to the nearest month).

Limitation

The maximum benefit, by law, cannot exceed 70% of your final average compensation (20 years x 3.5% = 70%). If you serve longer than 20 years, NPERS will base your average monthly salary on the three

highest 12-month periods you serve as a judge, not the three highest 12-month periods you make contributions to the fund. (See “Compensation.”)

NOTE: There are four important points to remember:

1. If you **delay** taking your retirement benefits, NPERS will calculate your benefit using the age you are when you **apply** for benefits, rather than when you actually quit work.
2. At the time you apply for benefits your age is calculated to the nearest month, and your spouse’s age to the nearest year.
3. Benefits are calculated **based on the law in effect** at the time you cease employment.
4. You are **not** required to start your retirement benefit payments immediately. You may defer your retirement benefits until no later than April 1 of the year following the year you reach age 70½.

Any member whose service is terminated at or subsequent to age 65 will be considered as beginning normal retirement and annuity payments will begin as provided in §24-710.

VERIFICATION OF SERVICE AND SALARY

Your service as a judge and salary for the three highest 12-month periods is verified before retirement benefit amounts can be determined. Verification is sent to NPERS by the Court Administrator’s office upon your termination or retirement.

RETIREMENT

The **effective date** of your retirement will be the *first day of the month following* the later of:

- ◆ The date you qualify for retirement, **OR**
- ◆ The date your completed Application for Retirement is received by NPERS.

You can expect your first payment approximately 60 days **after** your effective date of retirement provided all retirement contributions have been remitted and posted to your account. Your benefit payment cannot be processed until all contributions have been reported by the Court Administrator's office and posted to your account.

IMPORTANT: Your first payment will be retroactive to your effective date of retirement.

Before You Retire

- ◆ Contact NPERS in writing, by telephone or in person at least **three months** before your anticipated retirement date to avoid unnecessary delays in payment. Your retirement benefit will *not* start automatically.
- ◆ When you contact NPERS indicating you plan to retire, you will be sent an Application for Retirement form and estimates of monthly benefits under the various retirement payment options (if you have not received an estimate within the past 18 months). If you wish an estimate under Options 4 and 5, NPERS will need the date of birth of your beneficiary. (See "Retirement Payment Options.")
- ◆ File your Application for Retirement with NPERS at least 30 days, but no more than 90 days prior to your effective date of retirement. You may file your Application by mail or in person by making an appointment with NPERS. Regardless of how you file, please note the following:
 - If you are still employed, NPERS cannot accept an Application earlier than 90 days prior to your effective date.

- If your completed Application is received earlier than 90 days prior to your effective date, it will be returned to you.
 - The latest you can file your Application without losing benefits is the last working day before your desired effective date.
- ◆ Verify your age by filing with NPERS a legible copy of your Certificate of Birth recorded before you were five years of age. If your birth certificate was not recorded before you were five, you may submit two other documents to prove your age (contact NPERS for allowable documents).
 - ◆ You may request direct deposit of monthly retirement benefits to your financial institution. Contact NPERS to obtain the required form.

Plan Ahead

We suggest you attend a preretirement planning seminar at least five years before you plan to retire. The seminars are scheduled for anyone age 50 or over, or within five years of retirement. An NPERS representative will be available at the seminar to discuss topics relating to retirement as well as the Judges' Retirement Plan. (See "Preretirement Planning Programs.")

CHOOSING AN OPTION

Things to consider when choosing an option:

- ◆ Your health and family health history
- ◆ Other financial income in addition to your retirement benefit
- ◆ Your beneficiaries who might depend on a benefit if you die
- ◆ The health of your beneficiaries
- ◆ The age difference between you and your beneficiaries

RETIREMENT PAYMENT OPTIONS

You will receive a retirement benefit *for your lifetime* regardless of the option you select:

Option 1 — Life Only Option

Provides a monthly payment *for your lifetime* and no refund or death benefit. There is no beneficiary designation under this option. (*This option pays the highest monthly benefit.*)

Option 2 — Modified Cash Refund – Provides a monthly payment *for your lifetime*. If you die before receiving payments equal to your retirement account balance at retirement, the remaining amount will be paid in a lump sum to your beneficiary or estate.

Option 3 — Period Certain and Continuous

This option allows you three choices as to the length of a payment guarantee period.

- a. **5-Year** – Provides a monthly payment *for your lifetime*, with a guarantee that if you die before receiving your 60 payments, the balance of payments will be paid to your beneficiary in monthly payments. (*This is the benefit amount that results from the formula calculation outlined in the Plan.*)
- b. **10-Year** – Provides a monthly payment *for your lifetime*, with a guarantee that if you die before receiving your 120 payments, the balance of payments will be paid to your beneficiary in monthly payments.
- c. **15-Year** – Provides a monthly payment *for your lifetime*, with a guarantee that if you die before receiving your 180 payments, the balance of

payments will be paid to your beneficiary in monthly payments.

Option 4 — Joint and Survivor Annuity

You have three choices when choosing this option. You must list only your spouse as beneficiary and should he/she predecease you, you cannot select another beneficiary.

- a. **50%** - Provides a monthly payment *for your lifetime*. When you die, your surviving spouse will receive 50% of your benefit, paid monthly for his/her lifetime.
- b. **75%** - Provides a monthly payment *for your lifetime*. When you die, your surviving spouse will receive 75% of your benefit, paid monthly for his/her lifetime.
- c. **100%** - Provides a monthly payment *for your lifetime*. When you die, your surviving spouse will receive 100% of your benefit, paid monthly for his/her lifetime.

Option 5 — Contingent Annuity

Provides an annuity payable during the joint existence of you and your spouse and continues at the rate you select to the survivor for his/her lifetime upon the death of either the member or spouse. You must list only your spouse as beneficiary and should he/she predecease you, you cannot select another beneficiary.

You may choose among the following rates:

50%, 75%, 100%

NOTE: — Under **Options 2 or 3**, you may list as many **beneficiaries** as you wish, and you may change these beneficiaries at any time after retirement.

- If you choose **Options 4 or 5**, NPERS must have legible proof of age for your spouse and a legible certified copy of your marriage license.

You CANNOT change your *option* after your effective date of retirement. Therefore, NPERS suggests you request estimates of benefits under the above options before you make your selection and retire.

DEATH BENEFITS

Death Before Retirement

1. If you have **less than five years of service**, a refund is made of your contributions, plus interest, to your beneficiary or estate.
2. If you have **five or more years of creditable service**, your surviving spouse is entitled to receive a monthly benefit paid as a joint and survivor benefit. If you are under age 65 when you die, the joint and survivor benefit will be calculated as if you had retired at age 65. Your spouse must exercise this option *within 120 days* of your death. If the monthly benefit option is not chosen within 120 days, your beneficiary will receive a lump sum payment of your retirement account.

NOTE: If you apply for a refund of your account and die before payment is made to you, the beneficiary designation you have on file will not be valid. The refund you requested will be paid to your estate.

Death After Retirement

Payment is made to your spouse or beneficiary based on the retirement payment option you select at retirement.

Proof of death is required before payment can be made.

DISABILITY RETIREMENT

Disability eligibility for all judges is determined by the Commission on Judicial Qualifications.

Exception: Clerk Magistrates (formerly Associate Judges) will have questions on disability decided by the Public Employees' Retirement Board (PERB) and a physician appointed by the Board.

A disability benefit is calculated in the same manner as a regular retirement benefit. There is no actuarial age reduction if a member is disabled before age 65.

The PERB may require a medical examination or other information on an annual basis.

SPOUSAL PENSION RIGHTS ACT

Your account is exempt from attachment (as in garnishment of wages) and is unassignable (for example, as loan collateral). In 1996 the Spousal Pension Rights Act codified the rights of divorced spouses and children to a share of plan members' retirement accounts. To claim this share, proper language must be included in divorce decrees and be qualified by NPERS. For further details call NPERS.

A "qualified domestic relations order" (QDRO) is one that has been approved by NPERS and is therefore effective in dividing benefits in one of the NPERS-administered plans. Divorce decrees and property settlements, although effective for most purposes, *do not* divide retirement accounts unless they include a QDRO. Once a judge has approved a QDRO, it must be sent to NPERS to be approved. Only when NPERS approves it does the order actually divide the benefits. If NPERS pays out benefits or a refund and later receives an order that would have affected the money already paid out, NPERS is legally held harmless for making the earlier payments. Therefore, whenever a domestic order is signed, it should be sent to NPERS as quickly as possible.

The person who receives a share of a plan member's account through a QDRO is called the “alternate payee.” Becoming an alternate payee gives the former spouse certain rights in the benefits, but does not mean he/she will have immediate access to the money. There are two ways an alternate payee can gain access to the retirement account:

- ◆ If the member quits work
- ◆ If the member is 50 years of age or older

If a member is under age 50 and working, the alternate payee *cannot* gain access to the account.

When the alternate payee gains access to the account, the method of payment depends on what options the member is entitled to at the time the alternate payee *makes application*. For example, if a member could only receive a refund of contributions, the alternate payee will only be able to receive a refund of contributions. But if the member is entitled to a retirement benefit, then the alternate payee may also apply for a retirement benefit.

REEMPLOYMENT

If you are permanently reemployed as a judge, you may again become a member of the Plan.

- ◆ You must fill out a new Beneficiary Designation Form to name beneficiaries; and
- ◆ You will always maintain your original account number in the Plan.

You should also consider the following:

- a. If you have taken a refund previously, you may elect to repay your refund. Actual payment must be completed within five years of reemployment. Your repayment will reestablish your prior creditable service. (See “Purchase of Service.”)

- b. If you elect not to repay the refund, you will enter the Plan as a new member. Service credit cancelled due to a refund **cannot** be counted when determining your monthly payments at retirement unless the refund is repaid.
- c. If you have **not** taken a refund of your account, the service credit you acquire will be added to your previous service when determining total years of creditable service for retirement purposes.

REPAYMENT OF REFUND

Service credit cancelled due to a refund may be reestablished if the refund is repaid.

If you previously took a refund from the Plan and then return to active employment and want to repay your refund, your cost will include the original amount of the refund plus the interest that would have accrued if the account had not been withdrawn. You may pay this cost using money from the following types of tax-qualified plans:

- ◆ §401(a) Qualified retirement Plan [includes 401(k) plan]
- ◆ §403(a) or (b) Tax Sheltered Annuity account
- ◆ §457(b) Eligible Deferred Compensation Plan
- ◆ §408(a) Individual Retirement Account containing only monies from a qualified plan (“Conduit” IRA)
- ◆ Use a trustee-to-trustee transfer from a 457(b) or 403(b) account without a termination of employment.

You may also repay a refund using an irrevocable payroll deduction from your current compensation, or using after-tax funds, making certain the after-tax payment does not exceed certain IRS limitations. (Contact NPERS for details.)

Full payment must be received *within five years* of your election to purchase service or prior to termination, whichever comes first. Payment may be made through direct payment, installment payments, an irrevocable payroll deduction or a rollover under certain conditions.

Contact NPERS for information on the cost to repay a refund.

PRERETIREMENT PLANNING PROGRAM

Since 1987 NPERS has conducted statewide preretirement planning seminars for plan members age 50 and over and their spouses.

The one-day seminar is an excellent way to begin planning for an important time in your life. Information is provided on your pension plan, financial planning, social security benefits, Medicare and health insurance, healthy lifestyles, social and psychological adjustments to retirement, and estate planning. Everyone should attend at least one seminar before they retire. If you attend early, you will have time to begin your planning and, if necessary, make adjustments.

Each eligible employee is entitled to receive **leave with pay** to attend **up to two** retirement planning programs. You may choose to attend a seminar more than twice, but such leave is at your expense and your absence is at the discretion of your employer. **You may not attend more than one seminar per fiscal year.**

You are welcome to register and attend any preretirement seminar scheduled in your area. A representative will be available to discuss your pension plan with you. For information on seminars scheduled in your area, contact NPERS or visit the web site at www.npers.ne.gov.

TAXATION

Your contributions to retirement are not taxed when deducted from your salary and remitted to NPERS. This means the taxable income reported on your Wage and Earning Statement (IRS Form W-2), issued by your employer, is reduced by the amount you contribute to retirement.

Contributions made prior to January 1, 1985, were taxed before being deducted from salary. Therefore, when contributions are returned to you, either in the form of a monthly retirement payment or a refund, you may recover any contributions prior to January 1, 1985, “tax-free.”

When Receiving a Retirement Benefit

If you have pre-1985 contributions, your retirement benefit will be taxed based on the “Safe Harbor” method, as required by the Internal Revenue Service (IRS). NPERS calculates the “tax-free” portion of your monthly retirement check by dividing pre-’85 contributions by the fixed number of payments assigned to your age group by the IRS. For example: 260 payments are used for anyone age 61 to 65. The remaining portion of the monthly benefit is “taxable.” After you have received the fixed number of payments assigned, your monthly benefit becomes 100% taxable.

When Receiving a Refund of Your Account

NPERS is required by law to withhold 20% for federal taxes from any refund check paid to you. An IRS Form 1099-R will be provided to you at the end of the calendar quarter in which you receive a refund payment. The form will show the amount of your refund, the taxable income and the capital gains, if applicable. (Refund of contributions to the Plan after January 1, 1985, is treated as taxable income.)

Caution: A refund taken prior to age 59½ may result in an additional 10% tax penalty assessed when filing your tax return.

You can AVOID the 10% penalty if one of the following applies:

- ◆ The taxable portion of your refund is “rolled over” into an Individual Retirement Account (IRA) or another qualified pension plan within 60 days of the payment date.
- ◆ Payment is made to an alternate payee under a qualified domestic relations order.
- ◆ Your payment is used for large medical expenses.
- ◆ You attained age 55 before separation from service.

In the event of death or disability, the 10% tax penalty will not apply, regardless of your age.

Important: Since the tax laws frequently change, NPERS makes detailed information available on a separate handout that is provided to you along with the Application for Refund or Retirement Benefits.

Income Tax Withholding

Federal law *requires* income tax withholding from retirement annuity payments. NPERS will provide you with information on income tax withholding and will withhold federal taxes from each monthly check at the amount of withholding you select using an IRS W-4P form. If you do not submit a W-4P, withholding will be made at the rate of married plus three exemptions. Your withholding can be changed at any time by submitting a new W-4P.

If you are a resident of the State of Nebraska, you may also *elect* to have state taxes withheld from your monthly benefit by completing a Nebraska State Income Tax Withholding form.

Your retirement income will be reported to you on a 1099-R form each year in January for the payments received the prior year. A copy of that form will also be provided to the Internal Revenue Service.

You may wish to contact the Internal Revenue Service and/or a tax consultant for additional income tax information.

DIRECT DEPOSIT

When you retire, you may have your monthly retirement benefits deposited directly with your financial institution. A Direct Deposit Form may be obtained from NPERS or the web site at www.npers.ne.gov. Your first retirement benefit check will be mailed to you directly with the direct deposit taking effect the second month.

COST-OF-LIVING (COLA) PROVISION

General COLA Adjustment

After you have been retired for at least one full fiscal year, you will be eligible for a benefit increase each July 1. This increase is based on the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the previous fiscal year, capped at 2.5%. (This means if the CPI-W is less than 2.5%, you will receive the CPI-W, but if the CPI-W is higher than 2.5%, your COLA increase will be only 2.5%.)

Purchasing Power Floor COLA

During your retirement, if inflation erodes the value of your benefit below 75% of the original purchasing power of your benefit when you retired, you will qualify for a one-time adjustment increasing your benefit to be the equivalent of 75% of the purchasing power of your original benefit. There is no cap or maximum percent for retirees who qualify for the 75% floor.

APPEALS PROCESS

As a member of the Judges' Plan, you have the right of review if you disagree with a decision reached by the PERB. You must request appropriate appeal forms from NPERS within 30 days after you receive notice of the PERB's decision.

A hearing officer appointed by the PERB will schedule a formal hearing and send written notice to all parties concerned. If you wish to further appeal the decision of the PERB, you are entitled to judicial review under the Administrative Procedure Act.

ADMINISTRATION OF THE RETIREMENT FUND

The **Public Employees Retirement Board (PERB)** consists of seven members appointed by the Governor for five-year terms. Three members are participants in the retirement systems administered by the board. One is a retired participant. Three are at-large members and are not employees of the State of Nebraska or any of its political subdivisions. The State Investment Officer is an ex-officio (non-voting) member of the Board.

The PERB is responsible for the administration of the Judges', State Patrol, School Employees', State Employees' and County Employees' Retirement Systems and the Deferred Compensation Plan. [§84-1501]. Board meetings are normally scheduled on the third Monday of each month.

The **Nebraska Public Employees Retirement Systems (NPERS)** is the agency responsible for the administration of the Judges' Plan.

A **Director** is hired by the PERB and directs NPERS in its administration of the various systems.

The **State Treasurer** is the custodian of the funds and securities of the retirement systems.

Judges' Retirement Funds are invested by the **State Investment Officer** under the direction of the Nebraska Investment Council. NPERS each year issues a financial statement, available to members upon request, showing the condition of the fund and the various accounts.

Consulting Actuaries, employed by the PERB, conduct actuarial investigations into mortality and service experience of the contributors and beneficiaries, recommend actuarial tables to the PERB and evaluate the system's assets and liabilities each year.

RELEASE OF INFORMATION

Member account information* will only be released to you under the following conditions:

- ◆ Personal visit to NPERS
- ◆ Adequate proof of identity provided over the phone
- ◆ Written requests
- ◆ Written release signed and dated by member (must be less than six months old)
- ◆ Court ordered release
- ◆ Request from guardian or conservator with proper certified authorization (must be less than three months old)
- ◆ Request from individual holding power of attorney with authorization to receive confidential information

Account information may be released to your employer for verification of necessary information. The Internal Revenue Service may receive account information to comply with federal tax laws. Account information may be released as necessary under a qualified domestic relations order.

*Member account information may include name, address, account balances, beneficiaries, benefit options or payments made to member.

Fax Policy

The following will be honored via facsimile (fax) if signed by the member:

- ◆ Requests for account information
- ◆ Requests for beneficiary listings
- ◆ Requests for benefit estimates
- ◆ Changes in tax withholding

Original NPERS forms are required to process benefits or payments or to change beneficiaries or change of address for payment requests. However, a faxed application for a retirement benefit or refund will be accepted to determine effective date of processing of payment **if the**

original form is received within five working days. Faxed Beneficiary Designation Forms will also be accepted with timely receipt of the original form.

E-Mail Policy

General questions about the pension plan and requests for forms may be communicated through e-mail.

At the present time, NPERS does not answer individual account questions by e-mail. You must submit such questions in writing with your signature.

DEFERRED COMPENSATION PLAN

As a state employee, you are eligible to participate in the voluntary State Deferred Compensation Plan (DCP).

DCP permits you to “defer” an elected amount from your compensation. The amount you defer and contribute to DCP and the earnings in your DCP account are tax-deferred (not subject to federal and state income tax until withdrawn). You may defer a minimum of \$25 a month. The maximum you can defer and contribute to DCP is the lesser of 100% of your annual compensation less mandatory retirement contributions or an annual dollar limit established by the IRS. The dollar limit is \$12,000 for year 2003, and increases \$1,000 each year up to \$15,000 in 2006. The percentage limit remains fixed at 100% of your compensation less mandatory contributions to retirement plans. Beginning in 2006, the maximum may be adjusted by U.S. Secretary of the Treasury to reflect increases in the cost of living. Your deferral is invested at your direction in any combination of the 11 investment funds offered.

When you retire, terminate your employment or qualify under the provisions of disability or death, payment will be made to you or your beneficiaries under one of several options available.

Enrollment is year-round. For more information on DCP, contact NPERS or visit the web site at **www.npers.ne.gov**.